Stage 8: Test Market

- In this stage the company chooses few cities. Sales force tries to sell the trade on carrying the product and giving it a good shelf exposure. Company put on full advertising and promotional campaign. Marketers need to decide on following issues
  1. How many test cities?
  2. Which cities?
  3. Length of test
  4. What information?
  5. What action to take?

Stage 9: Commercialization

- The results of test marketing help marketers decide the changes that are needed in the marketing mix before entering the market. It also helps the marketer decide the amount of production, distribution strategy, selling efforts and other issues like providing guarantees, warranties, replacement services etc.
- The company also has to answer following question as far as launching of the product is concerned.
  1. When to launch? – first entry against the competitor , parallel entry or late entry.
  2. Where to launch?- Geographical location
  3. To whom to market?
  4. How to market?

Marketing information system- internal records, marketing intelligence, market research, marketing decision support system

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Marketing Information System

Marketing Information System

Marketing Information System consists of people, equipments, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely and accurate information to marketing decision makers. A marketing information system relies on internal company records, marketing intelligence activities, and marketing research.

The company's marketing information system should be crosses between what managers think they need, what they really need, and what is economically feasible. An internal MIS committee can interview a cross section of marketing managers to discover their information needs.

Components of Marketing Information system

A Marketing Information System has three components:

a) An internal records system, which includes information on the order-to-payment cycle and sales information system.
b) A marketing intelligence system, a set of procedures and sources used by managers to obtain everyday information about pertinent developments in the marketing environment.
c) A marketing research system that allows for the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation.

Internal Records & Marketing Intelligence:

Marketing managers rely on internal reports of orders, sales, prices, costs, inventory levels, receivables, payables, and soon, by analyzing this information, they can spot important opportunities and problems.

The Order-to-Payment Cycle:

The heart of the internal records system is the order-to-payment cycle. Sales representatives, dealers, and customers send orders to the firm. The sales department prepares invoices, transmits copies to various departments, and back-orders out-of-stock items. Shipped items generate shipping and billing documents that go to various departments.

Today's companies need to perform these steps quickly and accurately, because customers favor firms that can promise timely delivery.

Sales information system:

Marketing managers need timely and accurate reports on current sales. Technological gadgets are revolutionizing sales information systems and allowing representatives to have up-to-the-second information.

Many companies in the South Asia region provide laptops, mobile phones, and internet communication facilities to keep track of sales, collection, inventory levels, & order position.

For example, Reliance Petroleum uses hand-held billing machines, which can be taken near the vehicle (customer) for dispending the bill after collecting the cash. The data from these machines can be transferred to computers in computer-readable file format to enable further processing in to-date information & improve productivity of the sales personnel.

Databases, Data warehousing, and Data Mining:

Companies organize their information in to databases. Customer databases, product databases, salesperson databases, and then combines data from the different databases.

Companies warehouse these data and make them easily accessible to decision makers. They can mine the data and garner fresh insights into neglected customer segments, recent customer trends, and other useful information. Managers can cross-tabulate customer information with product and salesperson information to yield still-deeper insight.

The Marketing Intelligence System:

The internal records system supplies results data, but the marketing intelligence system supplies happenings data.

A marketing intelligence system is to obtain everyday information about developments in the marketing environment.

Marketing managers collect marketing intelligence by reading books, newspaper, & trade publications; talking t customers, suppliers, and distributors; monitoring “social media” on the Internet via online discussion groups, e-mailing lists & blogs; and meeting with other company managers.

Companies can several steps to improve the quality of its marketing intelligence.

- Train and motivate the sales force to spot and report new developments.
- Motivate distributors, retailers, and other intermediaries to pass along important intelligence.
- Network externally.
- Set up a customer advisory panel.
- Take advantage of government data resources.
- Purchase information from outside suppliers.
- Use online customer feedback systems to collect competitive intelligence.

The Marketing Research System:

Marketing research as the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company. Most large companies have their own marketing research departments, which often play crucial role within the organization.

Companies normally budget marketing research at 1% to2% of company sales. A large percentage of that is spent on the services of outside firms. Marketing research firms fall into three categories i.e.

- **Syndicated-service research firms:** These firms gather consumer and trade information, which they sell for a fee. For example, the National Council For Applied Economic Research (NCAER), and IMRB International.
- **Custom marketing research firms:** They design and carry out research studies for various clients based on specific briefs.
- **Specialty-line marketing research firms:** These firms provide specialized research services such as developing a research brief, collecting field data, and preparing data analyses and reports for other firms.

The marketing research process:

Effective marketing research follows the six steps like

1. Define the Problem, the Decision Alternatives, and the Research Objectives.
2. Develop the research plan.
3. Collect the information.
4. Analyze the information.
5. Present the findings.
6. Make the decision.

Marketing decision support system

A **marketing decision support system** (sometimes abbreviated **MKDSS**) is a decision support system for marketing activity. It consists of information technology, marketing data and modeling capabilities that enable the system to provide predicted outcomes from different scenarios and marketing strategies, so answering "what if?" questions.

A MKDSS is used to support the software vendors' planning strategy for marketing products. It can help to identify advantageous levels of pricing, advertising spending, and advertising copy for the firm's products. This helps determines the firms marketing mix for product software.

A marketing decision support system is a :-

- Coordinated collection of data, systems, tools, and techniques with supporting hardware and software.
- By which an organization gathers and interprets relevant information from business and environment. And turns it into a basis for marketing action.
- An interactive, flexible computerized information system that enables managers to obtain and manipulate information as they are making decisions.

Product - level, hierarchy, classification, mix, product line decisions, packaging, and labeling, Brand - meaning, equity and strategies

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What is product?

Product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organization, information, and ideas.

Explain the different levels of product

The marketer needs to address five product levels. Each level adds more customer value, and the five constitute a customer value hierarchy.

I. **Core benefit** : The fundamental level is the core benefit, the service or benefit the customer is really buying. For example : A hotel guest is buying “rest and sleep”. The purchaser of a drill is buying “holes”. Marketers must see themselves as benefit providers.

II. **Basic product** : At the second level, the marketer must turn the core benefit into a basic product. Thus for example, a hotel room includes a bed, bathroom, towels, desk, dresser, and closet.

III. **Expected product** : At the third level, the marketer prepares an expected product , a set of attributes and conditions buyers normally expect when they purchase this product. For example, hotel guest expect a clean bed, fresh towels, working lamps, and a relative degree of quiet.

IV. **Augmented product** : At the fourth level, the marketer prepares an augmented product that exceeds customer expectations. In developed countries, brand positioning and competition take place at this level. In developing and emerging markets such as India and Brazil, however, competition take place mostly at the expected product level.

V. **Potential product** : At the fifth level stands the potential product, which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offering.

Classification of product

It is classified on the basis of durability, tangibility and use.

I. Durability and tangibility classification

- **Nondurable goods** : They are tangible goods normally consumed in one or a few uses, such as soft drinks and soaps. Because these goods are purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small markup, and advertise heavily to induce trial and build preference.
- **Durable goods** : These are tangible goods that normally survive many uses: refrigerators, machine tools, and clothing. Durable products normally require more personal selling and service, command a higher margin, and require more seller guarantees.
- **Service :** They are intangible, inseparable, variable and perishable products. As a result, they normally require more quality control, supplier credibility

and adaptability. Examples include haircuts, legal advice and appliance repairs.

II. **Consumer-goods classification**

- **Convenient goods :** The products which consumer frequently purchases, the requirement is immediate and the consumers makes minimum efforts to buy these types of product. For example, soft drinks, soaps, newspapers, impulse goods (chocolates, candy bars, potato chips, etc.), emergency goods (rain coats, sweaters, etc.).
  These products are placed where consumers are likely to experience an urge need to make a purchase.
- **Shopping goods** : They are goods that the consumer makes comparison on the basis of prices, quality, and style. Here the consumer makes maximum efforts to buy these types of product. For example, furniture, clothing, used cars, and major appliances.
- **Specialty goods** : These goods have unique characteristics or brand identification for which a sufficient number of buyers are willing to make a special purchasing effort. For example, cars, house, etc. Here consumers will travel far to buy the product.
- **Unsought goods :** Those goods which consumer does not know about or does not normally think of buying. These products require advertising and personal-selling support. For example, smoke detectors, life insurance, etc.

III. **Industrial goods classification**

- **Raw material** : These are the goods which enter the manufacturer's product completely. These mainly consist of farm goods and natural goods. For example, wheat, cotton, crude petroleum, iron ore, etc.
- **Manufacturing material and parts** : These fall into two categories ,i.e. component material (iron, yarn, cement, wires) and component parts (small motors, tires, castings).
- **Capital goods** : These are long lasting goods that facilitate developing or managing the finished product. They include two groups : installation and equipment. Installation consist of building (factories, offices) and heavy equipments.
- **Process material** : These goods don't become part of final product but are essential for processing. For example, oils, coolers, etc.
- **Consumable goods** : These are small parts of the final or finished products and they are bought regularly. For example, nails.
- **Factory equipments** : These equipments used to make final products and includes portable factory equipments and tools (hand tools, lift trucks) and other office equipments (personal computers, desks).
- **Other services** : Supplies and business services are short term goods and services that facilitate developing or managing the finished product. Business services include maintenance and repair services, business advisory services.

Product hierarchy

The product hierarchy stretches from basic needs to particular items that satisfy those needs. We can identify six levels of the product hierarchy,

Need family : The core need that underlines the existence of a product family. For example, security, fabric care system.

Product family : All the product classes that can satisfy a core need with reasonable effectiveness. For example, savings and income.

Product class : A group of products within the product family recognized as having a certain functional coherence. Also known as a product category. For example, financial instruments related because they perform a similar function, are sold to the same customer groups, are marketed through the same outlets or channels, or fall within given price ranges. A product line may consist of different brands, or a single family brand, or individual brand that has been line extended. For example, life insurance.

Product type : A group of items within a product line that share one of several possible forms of the product. For example, term life insurance.

Item : A distinct unit within a brand or product line distinguishable by size, price, appearance, or some other attribute. For example, ICICI Prudential renewable term life insurance.

Brand Identity

Brand Identity includes brand names, logos, positioning, brand associations, and brand personality, brand toons etc. A good brand name gives a good first impression and evokes positive associations with the brand. A positioning statement tells what business the company is in, what benefits it provides and why it is better than the completion? Brand personality adds emotion, culture and myth to brand identity by the use of a famous spokesperson (Bill Cosby-Jello), a character (Pink Panther), an animal (the Merrill lynch bull) etc.

Tools used for Building Brand Identity?

Brand builders use a set of tools to strengthen and project the brand image; Strong brands typically exhibit an owned word, a slogan, a color, a symbol, and set of stories.

- ✓ **Owned Word :**A strong brand name should trigger another word, a favorable one. Here is the list of brands that own a word
- ✓ **Slogan**
  Many companies successfully added a slogan or tagline to their brand name which is repeated in every ad they use. Here are some well-known brands slogans, which people on the street may easily recall or recognize:
- ✓ **Colors:** It helps for a company or a brand to use a consistent set of color to and in the brand recognition. Caterpillar paints all its construction equipments yellow. Yellow is the color of Kodak film. IBM uses blue in its publications, and IBM is called "Big Blues".
- ✓ **Symbols and Logos**

Companies would be wise to adapt a symbol or logo to use in their communications. Many companies hire a well-known spokesperson, hoping that his or her quality transfer to the brand. Nike uses Michael Jordon who has worldwide recognition and likableness, to advertise its shoes. Sporting goods manufacturers sign contracts with top athletes to serve as their symbols, even naming the product after them.

- ✓ **Cartoons and Animations**

A less expensive approach is to develop a character, animated, to etch the brand's image into customer's mind. The advertising agency Leo Burnett has successfully created a number of memorable animated characters. Here are some well known brand cartoons which people may recognize:

Company	Cartoon or Animation
ICICI Prudential	Chintamani
Amul Butter	Utterly Butterly Girl
McDonalds	Ronald
All Out mosquito Repellent	Louis
Pillsbury	Doughboy
7 Up	Fido Dido

- ✓ **Objects:** Still another approach is to choose an object to represent a company or brand. The travelers' insurance company uses an umbrella, suggesting that buying insurance is equivalent to having an umbrella available when it rains. The prudential insurance company features the rock of Gibraltar, suggesting that buying an insurance is equivalent to "owing a peace of rock "which is of course, solid ad dependable. Companies have developed many logos or abstracts, which are easily remembered by people. Even the way the brand name is written makes a brand recognizable and memorable.

Measuring Brand Effectiveness

There are many metrics to measure the potential of and actual effectiveness of brands. The simplest way is to apply the concept of what we call the 4 D's of Branding; differentiation, distinctiveness, defendable, digit-able.

- **Distinctiveness**: your brand should be distinct when compared to your competitors and to all spoken and visual communications to which your target audiences will be exposed. The more unique and distinct your communications, the wider the filed of effective competitive strength it will have. There are simple means to apply to test the distinctiveness of your brand.
- **Differentiation:** the brand strategy and brand assets must set you're offering apart and clearly articulate the specific positioning intent of your offering.
- **Defendable:** you will be investing in creating your brand assets and in all cases your brand must have proprietary strength to keep others from using close approximations.

This applies to your trade names and other proprietary words as well as to your logos, symbols and other visual assets.

- **Digit-able**: in most businesses there is strong and growing element of electronic communications and commerce that dictate all brand assets be leveraged effectively in tactile and electronics form. This goes for all brand assets.

Define the Brand: Any individual a brand (in his mind) is a complex combination of experiences, beliefs, perceptions and associations that have grown up over time. For example Coca-Cola is a company brand, a product brand, a service brand and a brand with a long history.
A Product from a known source is brand.

Choosing a Brand Name

A brand name first must be chosen then its various meanings and promises must be built up through brand identity work. In choosing a brand name, it must be consistent with the value positioning of the brand. In naming a product or service the company may face many possibilities: it could choose name of the person (Honda, Calvin Klein), location (American airlines), quality (Safety stores, Healthy choice), or an artificial name (Exxon, Kodak).

✓ **Among the desirable qualities of a brand name. Some are:**

- It should suggest something about the product benefits.
- It should suggest product qualities such action or color
- It should be easy to pronounce, recognize and remember; short names help a lot to recognize the product to the customers.
- It should be distinctive.
- It should not carry poor meanings in other countries and languages etc.

✓ **Building Positive Associations**

The best known brand names carry associations. For example, here is a list of words that people say they associate with McDonalds:

- Kids
- Fun
- Happy Meal
- Ronald Mc. Donald
- Quality
- Toys

In trying to build a rich set of positive associations for a brand, the brand builder should consider five dimensions that can communicate meaning:

- **Attributes:** A strong brand should trigger in buyers mind certain attributes. Thus a Mercedes automobile attributes a picture of well-engineered car that is durable, rugged and expensive. If a car brand does not trigger any attribute, then it would be a weak brand.
- **Benefits:** A strong brand should suggest benefits, not just features. Thus Mercedes triggers the idea of well performing car that is enjoyable to drive and prestigious to own.

- **Company Values**: A strong brand should connote values that the company holds. Thus Mercedes is proud of its engineers and engineering innovations and is very organized and efficient in its operations. The fact that it is a German company adds more pictures in the mind of the buyers about the character and the culture of the brand.
- **Personality**: A strong brand should exhibit some personality traits. Thus if Mercedes were a person we would think of someone who is middle age, serious, well-organized and somewhat authoritarian. If Mercedes were an animal we might think of lion or its implied personality.
- **Users:** A strong brand should suggest the type of people who buy the brand. Thus we would expect Mercedes to draw buyers who are older, affluent and professional.

Brand Element Choice Criteria

There are six criteria in choosing brand element. The first three can be characterized by brand building in terms of how brand equity can be build through judicious choice of brand element. The latter three are more defensive and are concerned with how the brand equity contained in the brand element can be leveraged and preserved in the face of various opportunities and constraints.

- **Memorable:** How easily is the brand element recalled? How easily recognized? Is this true at both purchase and consumption? Short brand name like tide, Nike can help.
- **Meaningfu**l: To what extent is brand element credible and suggestive of the corresponding category? Does it suggest something about a product ingredient or a type of person who might use the brand?
- **Likeability**: How aesthetically appealing does consumers find the brand element? Is it inherently likeable visually, verbally, and in other ways? Concrete brand names such as Wheel, Sunsilk etc evoke much imagery.
- **Transferable**: Can a brand element be used to introduce new products in the same or different categories? To what extent does the brand element add to brand equity across geographic boundaries and market segments?
- **Adaptable**: How adaptable and updatable is the brand element? Betty corker received 8 makeovers through the years-although she is 75 yrs old, she doesn't look a day over 35.
- **Protectable**: How legally protectable is the brand element? How competitively protectable? Can it be easily copied? It is important that names that become synonymous with product categories such as Kleenex, Xerox, Jell-O, etc retain their trademarks rights and not become generic.

Brand Equity: There is no universally accepted definition of brand equity. The term means different things for different companies and products. More over Brand equity can be defined as three distinct elements:

- The total value of a brand as a separable asset -- when it is sold or included on a balance sheet.
- A measure of the strength of consumers' attachment to a brand.
- A description of the associations and beliefs the consumer has about the brand

Branding benefits buyers as well as sellers

To Buyer:

1. Help buyers identify the product that they like/dislike.
2. Identify marketer
3. Helps reduce the time needed for purchase.
4. Helps buyers evaluate quality of products especially if unable to judge products characteristics.
5. Helps reduce buyers' perceived risk of purchase.
6. Buyer may derive a psychological reward from owning the brand, i.e., Rolex or Mercedes.

To Seller:

1. Differentiate product offering from competitors
2. Helps segment market by creating tailored images, i.e., Contact lenses
3. Brand identifies the companies' products making repeat purchases easier for customers.
4. Reduce price comparisons
5. Brand helps firm introduce a new product that carries the name of one or more of its existing products...half as much as using a new brand, lower co. designs, advertising and promotional costs. Example, BPL telephones.
6. Easier cooperation with intermediaries with well known brands
7. Facilitates promotional efforts.
8. Helps foster brand loyalty helping to stabilize market share.
9. Firms may be able to charge a premium for the brand.

Labeling: It's any written, electronic, or graphic communications on the packaging or on a separate but associated label.

Objectives of the Packaging and package labeling

Packaging and package labeling have several objectives

- **Physical protection** – The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature, etc.
- **Barrier protection** – A barrier from oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or Oxygen absorbers to help extend shelf life. Modified atmospheres or controlled atmospheres are also maintained in some food packages. Keeping the contents clean, fresh, sterile and safe for the intended shelf life is a primary function.
- **Containment or agglomeration** – Small objects are typically grouped together in one package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials need containment.

- **Information transmission** – Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments. Some packages and labels also are used for track and trace purposes.
- **Marketing** – The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been important and constantly evolving phenomenon for several decades. Marketing communications and graphic design are applied to the surface of the package and (in many cases) the point of sale display
- **Security** – Packaging can play an important role in reducing the security risks of shipment. Packages can be made with improved tamper resistance to deter tampering and also can have tamper-evident features to help indicate tampering. Packages can be engineered to help reduce the risks of package pilferage: Some package constructions are more resistant to pilferage and some have pilfered indicating seals. Packages may include authentication seals and use security printing to help indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices, such as dye-packs, RFID tags, or electronic article surveillance tags that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of loss prevention.
- **Convenience** – Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, reclosing, use, dispensing, reuse, recycling, and ease of disposal
- **Portion control** – Single serving or single dosage packaging has a precise amount of contents to control usage. Bulk commodities (such as salt) can be divided into packages are a more suitable size for individual households. It is also aids the control of inventory: selling sealed one-liter-bottles of milk, rather than having people bring their own bottles to fill themselves.

Packaging: Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.

Marketing strategy: A marketing strategy is a process or model to allow a company or organization to focus limited resources on the best opportunities to increase sales and thereby achieve a sustainable competitive advantage.

Strategies in a product life-cycle

The four main stages of a product's life cycle and the accompanying characteristics are:

Stage	Characteristics
1. **Market introduction stage**	1. costs are very high 2. slow sales volumes to start 3. little or no competition 4. demand has to be created

	5. customers have to be prompted to try the product 6. makes no money at this stage
2. **Growth stage**	1. costs reduced due to economies of scale 2. sales volume increases significantly 3. profitability begins to rise 4. public awareness increases 5. competition begins to increase with a few new players in establishing market 6. increased competition leads to price decreases
3. **Maturity stage**	1. costs are lowered as a result of production volumes increasing and experience curve effects 2. sales volume peaks and market saturation is reached 3. increase in competitors entering the market 4. prices tend to drop due to the proliferation of competing products 5. brand differentiation and feature diversification is emphasized to maintain or increase market share 6. Industrial profits go down
4. **Saturation and decline stage**	1. costs become counter-optimal 2. sales volume decline 3. prices, profitability diminish 4. profit becomes more a challenge of production/distribution efficiency than increased sales

Pricing - steps involved in determining price, pricing methods, adopting the price, Place - types of Distribution channels, designing and managing marketing channels

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Determining the demand: each price will lead to a different level of demand & will therefore have a different impact on a company's marketing objectives. The relationship b/w price & demand is captured in a demand curve. They are inversely related : the higher the price, lower the demand.

1. **Price sensitivity:** the demand curve shows the market's probable purchases quantity at alternative prices. It sums the reactions of many individuals who have different price sensitivities. The 1st estimating demand price sensitivity. Generally speaking, customers are less price sensitive to low cost items. In price sensitivity there are two types.
    - Inelasticity demand:
    - Elastic demand :
2. **Estimating demand curve:** Most companies make some attempt to measure their demand curves using several different methods.
    - Surveys: can explore how many units consumers would buy at different proposed prices, although there is always the chance they might understate their purchases.
    - Price experiments: can vary the prices of different products in a store or change different prices for the same product.
    - Statistical analysis: of past prices, quantities sold, & other factors can reveal their relationships.
3. **Price elasticity of demand**: Marketers need to know how responsive, or elastic, the demand would be to a change in price. Demand hardly changes with a small change in price, we say that demand inelastic. If demand changes considerably, demand is elastic**.** The higher the elasticity, the greater the volume growth resulting from a 1% price reduction. If demand is elastic, sellers will consider lowering the price. Price elasticity depends on the magnitude & direction of the contemplated price change. Long –run Price elasticity may differ from short-run elasticity.

Pricing methods: These factors, cost, customers & competition (3 c's) are crucial in the product pricing. the extent of managerial decision in these regard largely depends on the type of market structure faced by the firm in a market. The methods of pricing as follows.

1. **Mark up pricing:** the % of profit added to the price of the product. Mark up is expressed in terms of %. Either cost price or sale price is taken as the base in determining the mark up. The most elementary pricing methods is to add a standard mark up to the products cost.
    a. **UNIT COST = VARIABLE COST+ FIXED COST / UNIT SALES.**
    b. **MARK UP PRICES = UNIT PRICE / (1 – DESIRED RETURN ON THE SALES.)**
2. **Target return pricing:** the process of setting an items prices by using an equation to computer the price that will result in a certain level of planned profit given the scale of a specified amount of items. it is the firm determines the price that would yield its target rate of ROI.
    TARGET RETURN PRICE = UNIT COST + ((DESIRED RETURN x INVESTMENT CAPITAL) / UNIT SALES)
3. **Break Even volumes**: There are 2 ways of determining the BEP by means of a formula. It can be determined either in terms of physical units of output or in terms of sales value of the output. i. e in money terms.
    a. **BEP(units) = FC / Contribution per unit = FC / (price – variable cost)**

   b. **BEP(volumes) = FC / PV RATIO = FC / (c/s).**

4. **Perceived value pricing**: An increasing number of companies now base their price on the customer's perceived value**.** perceived value is made up of several elements, such as the buyer's image of the product performances.
5. **Value pricing:** Several companies have adopted value pricing. They win loyal customers by charging a fairly low price for a high quality offering. value pricing is thus not a matter of simply setting lower prices; it is a matter of reengineering the company's operational to become a low cost producer without sacrificing quality.
6. **Going- rate pricing:** In Going- rate pricing, the firm bases its price largely on competitor's prices, charging the same, more, or less then major competitor's. in oligopolistic industries that sell a commodity such as steel, paper, or fertilizer, all firm normally change the same price.
7. **Auction – type pricing**: Auction – type pricing is growing more popular, especially with the growth of internet. "breakthrough marketing: EBay" describes the ascent of that wildly successful internet company. **English Auction, Dutch Auction – Reverse Auction**

ADOPTING THE PRICING: Companies usually do not set a single price, but rather develop a pricing structure that reflect variations in geographical demand & costs, market segment requirements, purchase timing, order levels, delivery frequency. Service contacts, & other factors.

1. **Geographical pricing (cash, countertrade, barter):** In geographical pricing, the company decides how to price its products to different customers in different locations & countries. Many buyers wants to offer other items in payment, a practice is known as countertrade.
   a. **Barter:** the buyers & sells directly exchange goods, with no money & no 3rd party involved.
   b. **Compensation deal:** the seller receives some % of the payment in cash & the rest in product.
   c. **Buyback arrangement:** partial payment in cash & remaining the products manufactured by the company.
   d. **Offset:** accepts full payment in cash but agrees to pay spend some % in that country.
2. **Price discounting & allowances:** most companies will adjust their list price & give discount & allowances for early payment, volume purchases, & off-season buying companies must do this carefully or find their profits much lower than planned.
   a. **Cash discount:** a price reduction to buyers who pay bill promptly.
   b. **Quantity discount:** a price reduction to those who buys volumes.
   c. **Function discount:** discount offered by a manufacture to trade \- channels members if they perform certain functions.
   d. **Seasonal discount:** a price reduction to those merchandise or services out of a season.
   e. **Allowances:** an extra payment designed to gain reseller participation in special program.

3. **Promotional pricing:**
    a. **Loss – leader pricing:** Supermarket & department stores often drop the price on well known brands to stimulate additional store traffic. This pays if the revenue on the additional sales compensates for the lower margins on the loss-leader items.
    b. **Special – event pricing:** seller will establish special prices in certain seasons to draw in more customers.
    c. **Cash rebate:** Auto Companies & other consumer-goods companies offer cash rebate to encourage purchase of the manufacturer's product within a specified time period.
    d. **Longer payment terms:** sellers , especially mortgage banks & auto companies, stretch loans over longer periods & thus lower the monthly payments.
    e. **Warranties & services contracts:** companies can promote sales by adding a free or low cost warranty or services contract.
    f. **Psychological discounting:** this strategy involves setting an artificially high price & then offering the product at substantial savings.

4. **Differentiated pricing:** companies often adjust their price to accommodate differences in customers, products, locations, & so on. **Price discrimination** occurs when a company sells a product or services at two or more prices that do not reflect a proportional difference in costs.
    1. **Customer-segment pricing:** Different customer groups pays different prices for the same product.
    2. **Product – form pricing:** Big bazaar sells men's shirts in many styles, fabrics, levels of quality.
    3. **Image pricing:** Some companies price the same product at two different levels based on image differences.
    4. **Channel pricing**: Coca-cola carries a different prices depending on whether the consumer purchases it in a fine restaurant, or a vending machine.
    5. **Location pricing:** The same product is priced differently at different locations even though the cost of offering it at each location is the same.
    6. **Time pricing:** Prices are varied by season, day, or hour. Public utilities vary energy rates to commercial users by time of day & weekend v/s weekend.

Marketing Channel

Marketing channel: A marketing channel is a set of practices or activities necessary to transfer the ownership of goods, and to move goods, from the point of production to the point of consumption and, as such, which consists of all the institutions and all the marketing activities in the marketing process.

Type of marketing channel:

1. **Intensive distribution:** Where the majority of resellers stock the 'product' with convenience products, for example, and particularly the brand leaders in consumer goods markets (price competition may be evident).
2. **Selective distribution:** This is the normal pattern (in both consumer and industrial markets) where 'suitable' resellers stock the product. In this case retailers can keep the competitors products in their outlets e.g. furniture etc.
3. **Exclusive distribution:** Only lam-bard specially selected resellers or authorized dealers (typically only one per geographical area) are allowed to sell the 'product'.

Roles of marketing channel in marketing strategies

- Links producers to buyers.
- Performs sales, advertising and promotion.
- Influences the firm's pricing strategy.
- Affecting product strategy through branding, policies, willingness to stock.
- Customizes profits, install, maintain, offer credit, etc.

Factors Affecting Channel Choice and Management

1. **Environmental Factors**
   - General economic conditions
   - Changing family lifestyles
   - Technological advance
   - Market size
   - Competition
2. **Consumer Factors**
   - Who are your customers?
   - Where do they buy?
   - How do they buy?.
3. **Product Factors**
   - Product sophistication
   - Product Unit value
   - Product Standardization
   - Stage in the life cycle
   - Price
4. **Company Factors**
   - Financial capabilities
   - Human capabilities
   - Technological capabilities.

- Managerial capabilities
- Marketing Resources
- Number of product lines
- Desire for control of marketing channels

Bases Of Channel Design Decisions

Analyzing Customers desired service output levels:-

In designing the marketing channel, the marketer must understand this service output levels desired by target customers. Channels produce five service outputs:

- **Lot size:** the number of units the channels permits typical customer to purchase on one occasion. In buying cars for its fleet, Hertz prefers a channel from which it can buy a large lot size; a household wants a channel that permits buying a lot size of one.
- **Waiting and delivery time**: the average time customers of that channel wait for receipt of the goods. Customers increasingly prefer faster and faster delivery channels.
- **Spatial convenience**: the degree to which the marketing channel makes it easy for customers to purchase the product. Chevrolet, for example, offers greater spatial convenience than Cadillac, because there are more Chevrolet dealers. Chevrolet greater market decentralization helps customers save on transportation and search costs in buying ad repairing an automobile.
- **Product variety:** the assortment breadth provided by the marketing channel. Normally, customers prefer a greater assortment because more choices increase the chance of finding what they need.
- **Service backup:** the add-on services (credit, delivery, installation, repairs) provided by the channel. The greater the service backup, the greater the work provided by the channel.

Channel Alternatives:-

Companies can choose from a wide variety of channels for reaching customers from sales forces to agents, distributors, dealers, direct mail, telemarketing, and the internet. Each channel has unique strengths as well as weaknesses. Sales forces can handle complex products and transactions, but they are expensive. The internet is much less expensive, but it cannot handle complex product. Distributors can create sales, but the company loses direct contact with customers.

The problem is further complicated by the fact that most companies now use a mix of channels. Each channel hopefully reaches a different segment of buyers and delivers the right products to each at the least cost. When this does not happen there is usually channel conflict and excessive cost.

Promotion - integrated marketing communication- communication process, advertising, sales promotion, personal selling and PR

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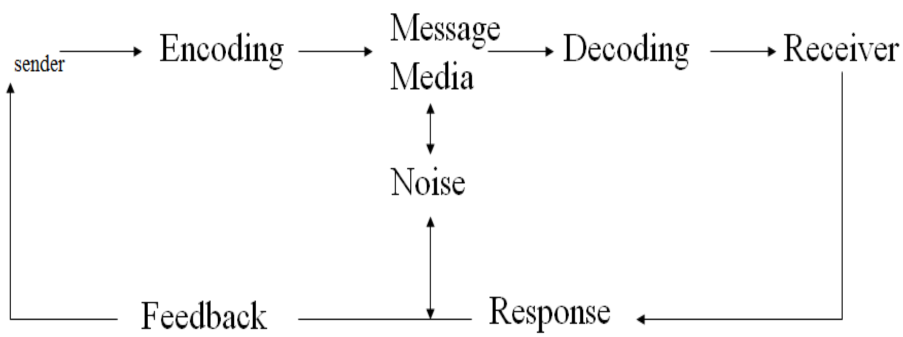
(MBA Semester 1, Batch of 2011-13)

Communications Process



Integrated Marketing Communications

This brings about synergy and better use of communication funds Balancing the 'push' and 'pull' strategies Improves the company's ability to *reach* the *right consumer* at the *right place* at the *right time* with the *right message*

Importance of promotion

Promotion is a vital element of the marketing mix. for new products, people must be informed about items and their feature before they can develop favorable attitudes toward them for product with some consumer awareness, the focus is on persuasion: converting knowledge to liking. For very popular product, the focus is on reminding: reinforcing existing consumer belief.

Types of promotion

- Advertising
- Public relations
- Personal selling
- Sales promotion

Advertisement

Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor. The five m's of advertising are:-

- Mission
- Money
- Message
- Media
- Measurement

Advertisement Budget

Five basic methods are used to set a total promotion budget: all you afford, incremental, competitive parity, percentage-of-sales, and objective-and-task the choice depends on the individual firm. The five budgeting are

- All-you-can-afford method,
- Incremental method,
- Competitive parity method
- Percentage-of-sales method
- Objective-and-task method

Objectives of Advertising

- Information
- Persuasion
- Reinforcement
- Reminder

Marketing Communications and list the communication platforms

The means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the products and brands they sell. The list of communication platforms are as follows:-

Advertising

- Print and broadcast ads
- Packaging inserts
- Motion pictures
- Brochures and booklets
- Posters
- Billboards
- POP displays
- Logos
- Videotapes

Sales Promotion: Collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.
The sales promotion tactics are:-

Consumer-directed Sales Promotion

- Samples
- Coupons
- Cash refund offers
- Price offs
- Premiums
- Prizes
- Patronage rewards
- Free trials
- Tie-in promotions

Trade-directed Sales Promotion

- Price offs
- Allowances

- Free goods
- Sales contests
- Spiffs
- Trade shows
- Specialty advertising

Events/ Experiences

- Sports
- Entertainment
- Festivals
- Arts
- Causes
- Factory tours
- Company museums
- Street activities

Public Relations

- Press kits
- Speeches
- Seminars
- Annual reports
- Charitable donations
- Publications
- Community relations
- Lobbying

Personal Selling

- Sales presentations
- Sales meetings
- Incentive programs
- Samples
- Fairs and trade shows

Direct Marketing

- Catalogs
- Mailings
- Telemarketing
- Electronic shopping
- TV shopping
- Fax mail
- E-mail
- Voice mail

The print ad evaluation criteria are as follows:-

- Is the message clear at a glance?
- Is the benefit in the headline?
- Des the illustration support the headline?
- Does the first line of the copy support or explain the headline and illustration?
- Is the ad easy to read and follow?

- Is the product easily identified?
- Is the brand or sponsor clearly identified?

PERSONAL SELLING

Meaning: - It is a part of total promotional activity of a firm which along with product, price and place management goes a long way in meeting the overall marketing objectives of the organization.

ESSENTIALS ELEMENTS OF PERSONAL SELLING

- Face-to-Face interaction: Personal selling involves a salesmen having face-to-face interaction with the prospective buyers.
- Persuasion: Personal selling requires persuasion on the part of the seller to the prospective customers to buy the product. So a salesman must have the ability to convince the customers so that an interest may be created in the mind of the customers to use that product.
- Flexibility: The approach of personal selling is always flexible. Sometimes salesman may explain the features and benefits of the product, sometimes give demonstration of the use of product and also faces number of queries from the customers. Looking into the situation and interest of the customers, the approach of the salesman is decided instantly.
- Promotion of sales: The ultimate objective of personal selling is to promote sales by convincing more and more customers to use the product.
- Supply of Information: Personal selling provides information to the customers regarding availability of the product, special features, uses and utility of the products. So it is an educative process.
- Mutual Benefit: It is a two-way process. Both seller and buyer derive benefit from it. While customers feel satisfied with the goods, the seller enjoys the profits

IMPORTANCE OF PERSONAL SELLING

Personal Selling is extremely important as it helps in increasing sales. Let us discuss the importance of personal selling from the manufactures as well as consumers point of view.

From manufacturers' point of view:-

1. It creates demand for products both new as well as existing ones.
2. It creates new customers and, thus help in expanding the market for the product.
3. It leads to product improvement. While selling personally the seller gets acquainted with the choice and demands of customers and makes suggestions accordingly to the manufacturer.

From customers' point of view:-

1. Personal selling provides an opportunity to the consumers to know about new products introduced in the market. Thus, it informs and educates the consumers about new products.
2. It is because of personal selling that customers come to know about the use of new products in the market. The sellers demonstrate the product before the prospective buyers and explain the use and utility of the products.
3. Personal selling also guides customers in selecting goods best suited to their requirements and tastes as it involves face-to-face communication.
4. Personal selling gives an opportunity to the customers to put forward their complaints and difficulties in using the product and get the solution immediately.

Marketing control - meaning, scope and importance, strategic control, annual plan control, profitability control and marketing audit

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(MBA Semester 1, Batch of 2011-13)

Marketing control

Meaning:--It involves evaluation the results of marketing strategies & plans to take corrective actions to ensure that objectives are attained corrective actions is must to close the gaps between goals and performance.

Marketing control involves gathering information on marketing performance and comparing the achieved performance against the planned or budgeted performance, using pre-determined standards and yardsticks. It paves the way for the maximization of profitability and productivity of all marketing activities.

To monitor the key result areas of marketing, such as;

- Sales volume/sales value
- Market share
- Market standing
- Marketing costs
- Profits
- Productivity in each marketing activity
- Channel effectiveness
- Promotion
- Sales force deployment/productivity

STRATEGIC CONTROL

Each company should periodically reassess its strategic approach to the marketing with a good marketing audit. Companies can also perform marketing excellence reviews and ethical/ social responsibility reviews.

MARKETING AUDIT

A marketing audit is a comprehensive, systematic, Independent, and periodic examination of a company or business units marketing environment, objectives, strategies, and activities, with a view to improve the company's marketing performance.

Characteristics marketing audit

- Comprehensive
- Systematic
- Independent
- Periodic

Comprehensive: the marketing audit covers all the major marketing activities of business, not just few trouble spots. It would be called a functional audit if it covered only the sales force, pricing. Or some other marketing activity. Although functional audit are useful they sometimes mislead management excessive sales force turnover for example could be a symptom not of poor sales force training or compensation but of weak company product and promotion. A comprehensive marketing audit usually is more effective in locating the Systematic

Systematic: The marketing audit is an orderly examination of the organization's macro and micromarketing environment, marketing objectives and strategies, marketing system, and specific activities. The audit indicates the most needed improvements, incorporating them into a corrective action plan with short and long run steps to improve overall effectiveness.

Independent: marketers can conduct a marketing audit in six ways: self audit, audit from across, audit from above, company auditing office, company task force audit, and outsider's audit. Self

audit in which manager's use a checklist to rate their own operation, lack objectivity and independence. The 3M Company has
Made good use of corporate auditing office,
Periodic: Typically, firms initiate marketing audit only after sales have turned down, sales force morale has fallen, and other problem have occurred. Companies are thrown into a crisis partly because they failed to review their marketing operation during good times a periodic marketing can benefit companies in good health as well as those in trouble.

Components of Marketing Audit?

- **Marketing environmental audit**
  - **Demographic** what major demographic development and trend s pose opportunities or threats to this company what action has the company taken in response to these developments and trends ?
  - **Economic** what major developments in income, price, saving and credit will affect the company?
  - **Environmental** what is the outlook for the cost and availability of natural resource and energy needed the company?
  - **Technology** what major generic substitutes might replace this product?
  - **Political** what changes in law and regulation might affect marketing strategy and tactics?
  - **Cultural**: what is the public's attitude to words business and to word the company's product?
- **Task environment**:
  - **Markets** what is happening to market size, growth, geographical distribution, and profits?
  - **Customers** what are the customers, needs and buying processes?
  - **Competitors** who are the major competitor what their objectives, strategies, strength, weakness, market shares? What trends will affect future competition and substitutes for the company's product?
  - **Distribution and dealer:** what are the main channels for bringing products to customers? What are the efficiency levels and growth potential of the different trade channels?
  - **Suppliers:** what is the outlook for the availability of key resource used in production? What trends are occurring among suppliers?
- **Marketing Strategy Audit**
  - **Business mission** is the business mission clearly stated in market oriented terms? Is it feasible?
  - **Marketing objective and goals: are** the company and marketing objectives and goals stated clearly enough to guide marketing planning and performance measurement? Are the marketing objectives appropriate, given the company's competitive position, resource, and opportunities?
  - **Strategy**: has the management articulated a clear marketing strategy for achieving its marketing objectives is the strategy convincing? Is the strategy appropriate to the stage of the product life cycle? Competitors' strategies and state of the economy?

- **Marketing organization audit**:
  - **Formal structure** dose the marketing vice precedent has adequate authority and responsibility for company activities that affect customers' satisfaction? Are the marketing activities optimally structured along functional, product, segment, and user, and geographical lines?
  - **Functional efficiency**: are there good communication and working relations between marketing and sales? Is the product-management system working effectively? Are product managers able to plane profits or only sales volume? Are there any groups in marketing need more training, motivation, supervision, or evaluation?
  - **Interface efficiency** are there any problems between marketing and manufacturing, R&D, purchasing, finance, accounting, and /or legal that need attention?
- **Marketing systems audit**
  - **Marketing information system** is the marketing intelligence system producing accurate, sufficient, and timely information about market place development with respect to customers , prospects, distributors and dealers, competitors, suppliers, and various publics.
  - **Marketing planning system** is the marketing planning system conceived and effectively used? Do marketers have a decision support system available? Dose the planning system result in acceptable sales target and quotas?
  - **Marketing control system** are the control procedures adequate to ensure that the annual- plan objectives are being achieved? Dose management periodically analyzes the profitability for product, markets, territories, and channels of distribution? Are marketing cost and productivity periodically examined?
- **Marketing productivity audit**
  - **Profitability analysis** what is the profitability of the company's different products, markets, territories, and channels of distribution? Should the center, expand, contract, or withdraw from any business segments?
  - **Cost effectiveness analysis**: do any marketing activities seem to have excessive cost? Can cost- reducing steps be taken?

Annual plan control

Annual-plan control ensures the company achieves the sales, profits, and other goals, established in its annual plan. At it heart is management by objectives. There are four steps

1 Goal setting,

2 performance measurement,

3 performance diagnosis,

4 corrective actions

Profitability Control

Companies can benefit from deeper financial analysis and should measure the profitability of their product ,territories, customer groups, segments, trade channels , and order size, this information can help management determine whether to expand , reduce , eliminate any products or marketing activities.

Retailing - meaning types, retailing decisions, wholesaling - meaning types and decisions

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(MBA Semester 1, Batch of 2011-13)

Retailing

Retailing includes all the activities in selling goods or services directly to final consumers for personal, non business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.

Retail chain

A retail chain involves common ownership of multiple outlets. It usually has central purchasing and decision making. Although independents have simple organization, chains tend to rely on specialization, standardization, and elaborate control systems. Chains can serve a large, dispersed target market and have a well know company name.

Retail franchising

Retail franchising is a contractual arrangement between a franchisor (a manufacturer, wholesaler, or service sponsor) and retail franchisee, which allows the latter to run a certain form of business under an established name according to specific rules.

Convenient Store

Convenient store is usually a well situated, food-oriented store with long hours and a limited number of items.

Full line discount store

A full line discount store is a department store with lower prices, a broad product assortment, a lower rent location, more emphasis on self service, brand name merchandise, wide aisles, shopping carts, and more goods displayed on the sales floor.

Traditional department store

A traditional department store has a great assortment of goods and services provides many costumer services, is a fashion leader and often serves as a an anchor store in a shopping district or shopping district or shopping center. Prices are average to above average. It has high name recognition and uses all forms of media in ads.

Direct Marketing

Direct marketing occurs when a consumer is first exposed to good or service by a non personal medium (such as direct mail, TV, radio, magazine, news paper, or PC) and then order by mail, phone, or PC.

Direct Selling

Direct selling involves personal contact with consumers in their homes (and other nonstore locations) and phone solicitations initiated by the retailers. Cosmetics, vacuum cleaners, encyclopedias, household services (such as carpet cleaning), dairy products, and news paper and some marketed by direct selling.

Wholesaling

Wholesaling encompasses the buying and or handling of goods and services and their subsequent resale to organization users, retailers, and or other wholesalers but not sale of significant volume to final consumers.

Types of Retailers

Consumers today can shop for goods and services at store retailers, nonstore retailers, and retail organizations. Retail store types pass through stages of growth and decline that we can think of retail life cycle.

Retailers can be classified as:

- Store retailers such as Home Depot, Sears, Walmart, Big Bazar
- Nonstore retailers such as the mail, telephone, and Internet.

Retailers Categorized by Amount of Service

1. Self-service retailers: Customers are willing to self-serve to save money. e.g. Discount stores
2. Limited-service retailers: Most department stores
3. Full-service retailers
    a. Salespeople assist customers in every aspect of shopping experience
    b. High-end department stores
    c. Specialty stores

Retailers Categorized by Product Lines

1. Specialty store: Narrow product line. athelets foot, the limited, The Body shop.
2. Department store: Several product lines. Sears, JCPenney, Nordstrom, Bloomingdale's.
3. Supermarket: Large, Low cost, Low margin, High volume, self service store designed to meet total for food and household products. Kroger, Safeway, Food Emporium.
4. Convenience store: Small store in residential area, often open 24/7, limited line of high turnover convenience products plus takeout. 7 Eleven, Circle k.
5. Discount store: Standard or specialty merchandise, low price, low margin, high volume stores, Wal-Mart, Kmart, circuit city.
6. Category Killer
7. Super Stores

Specialty Stores	Narrow Product Line, Deep Assortment
Department Stores	Wide Variety of Product Lines i.e. Clothing, Home Furnishings, & Household Items
Supermarkets	Wide Variety of Food, Laundry, & Household Products
Convenience Stores	Limited Line of High-Turnover Convenience Goods
Superstores	Large Assortment of Routinely Purchased Food & Nonfood Products, Plus Services
Category Killers	Giant Specialty Store that Carries a Very Deep Assortment of a Particular Line
Hypermarkets	Huge Superstores

Retailers Categorized by Product Lines

1. Discount stores: Low margins are offset by high volume
2. Off-price retailers: Leftovers goods, overruns, irregular merchandise sold at less than retail.
    a. Independent off-price retailers: TJ Maxx, Marshall's
    b. Factory outlets: Levi Strauss, Reebok
    c. Warehouse clubs: Sam's Club, Costco

Retailers Categorized by Organizational Approach

1. Corporate chain stores: Commonly owned / controlled
2. Voluntary chains: Wholesaler-sponsored groups of independent retailers
3. Retailer cooperatives: Groups of independent retailers who buy in bulk
4. Franchise organizations :Based on something unique
5. Merchandising conglomerates: Diversified retailing lines and forms under central ownership

Non Store Retailer

1. Direct Marketing
2. Automatic Vending
3. Catalog / Mail order
4. TV Shopping
5. Online Shopping
6. Office or Home Parties

Role and Functions of Wholesaler

Wholesaling all the activities in selling goods or services to those who buy for resale or business use. Wholesalers are more efficient in performing one or more of the following functions:

1) Selling & promoting: Wholesalers sales forces help manufactures reach many small business customers at a relatively low cost. They have more contacts and buyers often trust them more than they trust a distant manufacture.
2) Buying & assortment building: Wholesalers are able to select items and build the assortments their customers need, saving them considerable work.
3) Bulk breaking: Wholesalers achieve savings for their customers by buying large carload lots and breaking the bulk into smaller units.

4) Warehousing: Wholesalers hold inventories, thereby reducing inventory costs and risks to suppliers and customers.
5) Transportation: Wholesalers can often provide quicker delivery to buyers because they are closer to the buyers.

Function of wholesalers

- Enable manufacturers and services provide to distribute locally without making customer contacts.
- Provide a trained sales force.
- Provide marketing and research support manufacture, service provides retailers, and other organization.
- Gather assortments for customers and let them fewer transactions.
- Purchase and or handle large quantities thus reducing total physical distribution costs.
- Provide warehousing and delivery facilities.
- Handle financial records.
- Process returns and makes adjustments for defective merchandise.
- Take risks by being responsible for theft, deterioration, and obsolescence of inventory.
- Wholesalers add value by performing the following functions:
- Financing
- Risk bearing
- Marketing information
- Management services and advice

Types of wholesaling

1. **Manufacture/service provider wholesaling**- In Manufacture/service provider wholesaling a producer does all wholesaling functions itself. This occurs if a firm feels it is best able to reach B to B costumers by doing wholesaling tasks.
2. **Merchant wholesaling** – Merchant wholesaling buy take and take possession of products of products for further resale. This is largest U.S. wholesaler type in sales (60% of the total) and establishment (84% of the total)
3. **Limited –service merchant wholesalers:** Limited –service wholesalers can be classified as follows
   - **Cash and carry wholesaling**: Small business drives to wholesalers order products and take them back to a store or business. These wholesalers offer no credit or delivery, no merchandising and promotion help, no outside sale force, and no research or planning aid.
   - **Drop shippers (desk jobbers):** Buy goods from manufactures or suppliers and arrange for their shipment to retailers or industrial users. They have legal ownership, but do not physically posses products and have no storage facilities. They purchase items, leave them at manufactures plants contact costumers by phone set up and coordinate carload shipments from manufactures directly to customers and responsible for items that cannot be sold.

- **Truck/wagon wholesalers**: Generally have a regular sales route, offer items from a truck or wagon, and deliver goods when they are sold. These wholesalers provide merchandising and promotion support they are considered limited service because they usually do not extended credit and offer into research and planning help.
- **Mall-order wholesalers:** Use catalogs instead of a personal sales force to promote products and communicate with costumers. They may provide credit but do not generally give merchandising & promotion support. They store and deliver goods, and offer some research and planning assistance. These wholesalers are found with jewelry, cosmetics, auto parts, especially food product lines, business supplies, and small office equipment.
- **Rack Jobber**
- **Producers Cooperative**

4. **Brokers:** Bring buyers and sellers together and assist in negotiation
5. **Agents**
    - Manufacturers' agents
    - Selling agents
    - Purchasing agents
    - Commission merchants
6. **Sales branches and offices**
    - Branches carry inventory: lumber, auto equipment, parts
    - do not carry inventory: dry goods
7. **Purchasing officers**: Perform roles similar to brokers and agents, however these individuals are employees of the organization.

Wholesalers Marketing Decisions

1. **Target market and positioning:** Targeting may be made on the basis of size of customer, type of retailer, need for service.
2. **Marketing mix decisions**
    a. Product and service assortment: inventory, line
    b. Pricing: usual markup on COG is 20%
    c. Promotion: largely disorganized and unplanned
    d. Place: location, facilities

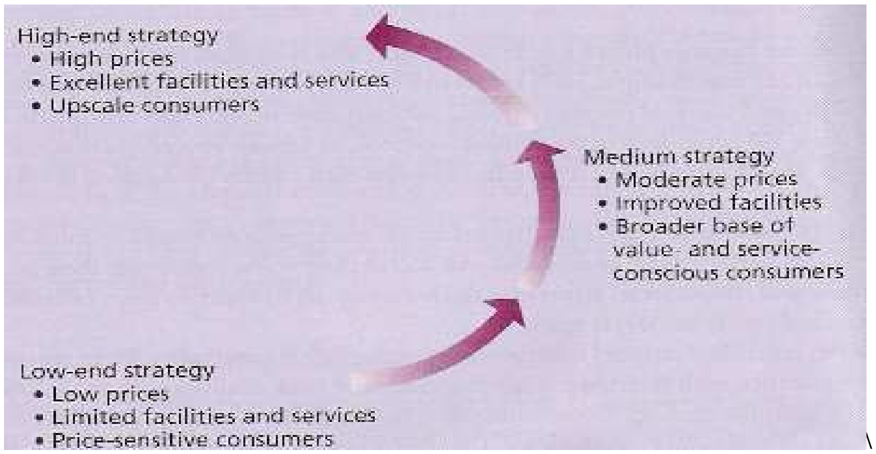
Trends in Wholesaling

- Price competition is still intense
- Successful wholesalers must add value by increasing efficiency and effectiveness
- The distinction between large retailers and wholesalers continues to blur
- More services will be provided to retailers
- Must Learn to Compete Effectively Over Wider and More Diverse Areas
- Increasing Consolidations Will Reduce Number of Wholesalers
- Surviving Wholesalers Will Grow Larger through Acquisitions and Mergers
- Vertical Integration Will Remain Strong
- Global Expansion

Retailing Marketing Decision

- **Target market:** Until it defines and profiles the target market, the retailer cannot make consistent decisions about product assortment, store décor, advertising messages, & media, price, & service levels. To better hit their targets, retailers are slicing the market into finer & finer segments & introducing new line of stores to provide a more relevant set of offerings to exploit niche markets.
- **Product assortment:** Retailers decide on their product assortment keeping in mind the requirements of their target customers. The retailer has to decide on the product assortment breadth & depth. The next step for a store is to develop a product differentiation strategy. Here are some possibilities.
  - Feature exclusive national brands that are not available at competing retailers.
  - Feature mostly private branded merchandise.
  - Feature the latest or newest merchandise first.
- **Procurement :** After deciding product assortment strategy, the retailer must establish merchandise sources, policies & practices.
- **Prices :** Prices are a key positioning factor & must be decided in relation to the target market, the product - & - service assortment mix, & competition. Retailers must also pay attention to pricing tactics.
- **Services :** The service mix is a key tool for differentiating one store from another. Retailers must decide on the services mix to offer customers:
  - Pre purchase services include accepting telephone & mail orders, advertising, window & interior display, fitting rooms etc.
  - Post purchases services include shipping & delivery, gift wrapping, adjustments & returns etc.
- **Store atmosphere :** Atmosphere is another element in the store arsenal. Every store has a look, & a physical layout that makes it hard or easy to move around.
- **Communication :** Retailers use a wide range of communication tools to generate traffic & purchases. They place ads, run special sales, issue money saving coupons, & run shopper reward programs, in store food sampling & coupons at on shelves or at check points.
- **Location decision :** Retailers are accustomed to saying that the 3 keys to success are "location, location & location." The departmental store chains, oil companies, & fast food franchisers exercise great care in selecting locations. Retailers can locate their stores in central business areas.

Wheel of Retailing



Future of Retailing

1. New Retail Forms and Shortening , Retail Lifecycles
2. Growth of Nonstore Retailing
3. Increasing Intertype Competition
4. Rise of Megaretailers
5. Growing Importance of
6. Retail Technology
7. Global Expansion of Major Retailers
8. Retail Stores as “Communities” or “Hangouts”

Services marketing, brief introduction, latest trends, ethical consideration in marketing

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(MBA Semester 1, Batch of 2011-13)

Services Marketing

Services are performances that bring about the result or experience for the customer. Service customer obtains the rights to use a physical object or space; hire the labor and expertise of personnel and networks. Services are acts, deeds, performance or efforts.

Characteristics of Services

- Intangibility
- Heterogeneity
- Perishability
- Inseparability

Characteristics of Services Marketing

- Most service products cannot be inventoried.
- Intangible elements usually dominate value creation.
- Services often are difficult to visualize and understand
- Customer may be involved in co-production
- People may be part of the service experience.
- Operational inputs and outputs tend to vary widely.
- Time factor often assumes great importance.
- Distribution may take place through non physical channels.

7p's of services marketing

Services are performances that bring about the result or experience for the customer. Service customers obtain the rights to use a physical object or space; hire the labor and expertise of personnel and networks.

- Product
- Price
- Place
- Promotion
- Process
- Physical environment
- people

Product Elements –

- Service product lie at the heart of a firm's marketing strategy. If a product is poorly designed, it won't create meaningful value for customers, even if the rest of the 7 Ps are well executed.
- Planning the marketing mix begins with creating a service concept that will offer value to target customers are satisfy their needs better than competing alternatives.
- Working to transform this concept into reality involves design of a cluster of different, but mutually reinforcing elements.
- Service products consist of (1) a core product that responds to the customer's primary need a (2) an array of supplementary services element that are mutually reinforcing value-added enhancements that help customers to use the core product more effectively.

<u>Price and Other User Outlays</u> –

- Like product value, the value inherent in payments is central to marketing's role in facilitating a value exchange between the firm and its customers.
- For supplies, pricing strategy is the financial mechanism through which income is generated to offset the cost of providing service to create a surplus for profits.
- Pricing strategy often is highly dynamic, with price levels adjusted over time according to such factors as type of customers, time and place of delivery, level of demand, and available capacity.
- Customers, by contrast, see price as a key part of the costs they must incur to obtain desire benefits. To calculate whether a particular service is "worth it," they may go beyond just money and assess the outlays of their time and effort.
- Service marketers, therefore, must not only set prices that target customers are willing and able to pay, but also understand – and seek to minimize, where possible – other burdensome outlays that customers incur in using the service.
- These outlays may include additional monetary cost (such as travel expenses to a service location), time expenditures, unwanted mental and physical effort, and exposure to negative sensory experiences.

Place and Time –

- Service distribution may involve physical channels (or both), depending on the nature of the service. For example, today's banks offer customers a choice of distribution channels, including visiting a branch, using a network of ATMs, doing business by telephone, or conducting banking transaction over the Internet.
- Many information based services can be delivered almost instantaneously to any location in the world that has Internet access.
- Furthermore, firms may deliver service directly to end-users or through intermediary organizations –such as retail outlets that receive a fee or commission to perform certain task associated with sales, services, and customer contact.
- To deliver service elements to customers, decisions need to be made on where and when as well as the methods and channels used.

Promotion and Education –

- What should we tell customers and prospects about our services? No marketing program can succeed without effective communication.
- This component plays three vital roles: providing needed information and advice, persuading target customers of the merits of a specific time.
- In services marketing, much communication is educational in nature, especially for new customers. Suppliers need to teach these customers about the benefit of service, where and when to obtain it, and how to participate in service processes to get the best results.
- Communications may be delivered by individuals such as sales people and frontline staff, at websites, on display screens in self-service equipment, and through a wide array of advertising media.
- Promotional activities which may include a monetary incentive – often are designed to stimulate immediate trial purchases or to encourage consumption when demand is low.

Process -

- Smart managers know that where services are concerned, how a firm does things – the underlying processes- often are as important as what it does. So, creating and delivering product elements requires design and implementation of effective processes.
- Badly designed service processes lead to slow, bureaucratic, and ineffective service delivery; wasted time; and a disappointing experience. They also make it difficult for front line employees to do their jobs well, resulting in low productivity and increased likelihood of service failure.

Physical Evidence -

- If your job is in a service business that requires customers to enter the service factory, you'll also have to speed time thinking about design of the physical environment or "servicescape".
- The appearance of buildings, landscaping, vehicles, interior furnishings, equipment, staff members' uniforms, signs, printed materials, and other visible cues provide tangible evidence of a firm's service quality, facilitate service delivery, and guide customers through the service process.

- Service firm need to manage "servicescape" carefully, since they can have a profound impact on customer satisfaction and service productivity.

People –

- Despite technology advances, many services will always require direct interaction between customer and service employees. You must have noticed many times how the difference between one service supplier and another lies in the attitudes and skills of their employees.
- Service firms need to work closely with their human resources (HR) departments and devote special care in selecting, training, and motivating their service employees. In addition to possessing the technical skills required by the job, these individual also need good interpersonal skills and positive attitudes.
- HR managers who think strategically recognize that loyal, skilled, motivated employees who can work well independently or together in terms represent a key competitive advantage.

Trends in Services Marketing

Focus in customer service and satisfaction

Companies of the past focused too much on their internal being. Their capital expenditures were geared towards expansion of network, technical superiority, and market domination by size or scale. These companies failed to recognize that unless customer needs are taken to account, these initiatives will not bring success or profit.

Focus on the Service Value.

Customers want value for their money and they expect that company's offerings must be of prime quality at the least possible price. This is opposite to the principle of business operations. Companies will need more money to execute first-class service because it requires investment on well-experienced employees which eventually require higher salaries, high-end facilities, additional employee trainings which all boils down to an increase operational expenditures. Managers of service companies are tasked to design a service model that are valuable to their customers but priced reasonably. In the past, companies believe that as long as they are "big" in terms of scale, size, and resources, their perceived value is high. This is no longer true today. The best judge of your company's value is your customers.

Focus on Information Technology.

One of the best contributions of technology is information. Technological advances led to the availability of information in all sectors of the organization. Examples of information are consumer's purchasing behavior, consumer's consumption pattern, consumer's data information and so on. Information made the decision making process of top executives easy and later resulted to further innovation and improvement on the company's strategic direction. Companies who failed to use information also failed to understand their customers.

Focus on Globalization. Globalization has swept companies from all over the world by storm. Local markets are already saturated by local players and the best way to expand their sales is to tap emerging international markets. However, internationalization approach is not as simple as transporting your service to another country. If your company's service model is effective in your local market, it is not a guarantee that it will also be effective in other countries. Culture, social behavior, and customs of the foreign country must always be taken into account. Many companies who jumped in the globalization band wagon failed to adjust their service approach when setting-up a foreign franchise. In the fast-food industry for instance, MC Donald's beef burger may not be a hit in countries like India because cows are sacred in this country. Some American fast-food chains that established franchise in the Middle East or some parts of Asia changed the ingredients of their food products and modify the service orientation of their staff in order to adapt to the taste and customs of the locals.